

ALL IS NOT WELL IN WELLNET HOLDINGS LTD

In comes the new, out goes the old ... and up goes Executive Directors' Emoluments.

These are just some of the many aspects as one reads the Annual Report of publicly listed WellNet Holdings Ltd for Financial Year, ended December 31, 1999.

One has to read this Annual Report most carefully; otherwise one might think that the Company is doing well when, in truth, it is doing very badly as a metal trader, manufacturer of metal products and property developer.

In fact, it is doing so badly that one would not be incorrect in stating that the 18-months period, ended December 31, 1999, was the worst time in the Company's history since 1995.

Controlling interest in WellNet Holdings, formerly known as Burwill Holdings Ltd, by the Chan Shing Family and friends, was executed in March 1998.

The Company enjoyed a name change last October in an obvious attempt to cash in on the hi-tech excitement, which is sweeping the world.

However, the name change did nothing for the Company's fortunes and WellNet Holdings, today, is as hi-tech as a leaking, wooden chicken coop, during a heavy spring rainstorm.

Directors and Senior Management's Emoluments have leapt from the 12-month Financial Year, ended June 30, 1998, from \$HK6.68 million to the 18-month period, ended December 31, 1999, to about \$HK14.65 million.

Annualising these figures indicates that Emoluments have risen about 46.26 percent from the 1998 Financial Year.

The increase in Emoluments, paid to Executive Directors, is substantial, especially in view of what TARGET has discovered about the Company.

The Chairman (TARGET's assumption), Mr Chan Shing, is taking not less than \$HK4.50 million per annum, one Executive Director is being paid \$HK3.50 million per annum, and one other Executive Director is obtaining an annual take-home pay of about \$HK3 million.

This additional \$HK11-million expense, in respect of Executive Directors' Emoluments, did not exist, prior to March 1998, when Mr Chan Shing, the 44-year-old metal trader, took over as Chairman and Managing Director, along with his wife, Ms Lau Ting.

The Profits

At first glance, one cannot help but be impressed by the figures on Page 41 of the 1999 Annual Report.

But one should not judge a sausage by its skin.

To begin with, the Total Assets of this Company are the lowest in the past 5 Financial Years, with Shareholders' Funds, having been eroded by about 10 percent in the past 18 months.

The following table tells the tale:

	1999	1998	1997	1996	1995
All Figures Are Denominated in \$HK'000					
Total Gross Assets	1,230,421	999,689	1,337,513	1,205,277	1,175,243

Total Liabilities	(606,858)	(328,810)	(580,391)	(479,002)	(385,578)
Minority Interests	(24,144)	(9,111)	(15,947)	(40,980)	(51,524)
Shareholders' Funds	599,419	661,768	741,175	685,295	738,141

Not a very pretty picture.

The Turnover appears to have risen from the 1998 Financial Year (12 months) figure of about \$HK677.48 million to the 1999 Financial Year (18 months) figure of about \$HK3.09 billion.

Annualising the Turnover indicates that the Company achieved an increase in the volume of group activity by about 204 percent.

That is, without question, impressive, but then one notes that the Operating Profit Before Taxation has only risen about \$HK7.44 million, between the 1998 Year and the 1999 Year: \$HK42.34 million in the 1998 Year to \$HK49.78 million in the 1999 Year.

What appears to have hurt the Company in the 18-month period to December 31, 1999 was interest charges, which rose from nearly \$HK22 million in the 1998 Year to about \$HK35.81 million in the 1999 Year.

Also, of course, the hefty increases in Directors' Emoluments helped bring down Profits, too.

Then, there is the matter of 1999 Exceptional Items, amounting to a positive figure of about \$HK30.85 million, versus a negative figure of about \$HK23.82 million for the 1998 Year.

A complete breakdown of Exceptional Items for the 2 Financial Years is given at Page 58 of the 1999 Annual Report, which TARGET takes the liberty, herewith, to reproduce:

EXCEPTIONAL ITEMS

	All Figures are Denominated in \$HK'000	
	Eighteen Months to December 31, 1999	Twelve Months to June 30, 1998
Net Receipt in a Litigation Settlement	40,384	Nil
Net Gain/(Loss) on Disposal of Long-term Investments	5,015	(19,272)
Net Gain on Disposal of a Subsidiary	1,043	Nil
Net Gain on Disposal of Investment Properties	588	7
Surplus/(Deficit) on Investment Properties Revaluation, Taken to the Profit and Loss Account	640	(640)
Exchange Loss on Japanese Yen Loans	(7,449)	Nil
Net Loss on Disposal of and Provision for Short-term Investments	(13,911)	(16,712)
Expenses Incurred on Disposal of a Subsidiary	Nil	(1,421)
Gain on Disposal of an Associated Company	Nil	2,775
TOTALS	26,310	(35,263)

The '*big ticket*' item, taken from the above table, is, of course, the matter of the litigation settlement which netted WellNet Holdings a tidy \$HK40.38-million ... [CLICK TO ORDER FULL ARTICLE](#)

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